

MOUNT AYR COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2008



## TABLE OF CONTENTS

Officials		<u>Page</u> 2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14-15
Statement of Activities	B	16-19
Governmental Funds Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet -		
Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures And Changes		
in Fund Balances - Governmental Funds To the Statement of Activities	F	23
Proprietary Funds Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Funds Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in		
Balances - Budget and Actual - All Governmental Funds		
and Proprietary Funds		42-43
Notes to Required Supplementary Information - Budgetary Reporting		44
Other Supplementary Information:	<u>Schedule</u>	
Non-major Special Revenue Funds:		
Combining Balance Sheet	1	46
Combining Schedule of Revenues, Expenditures and		
Changes in Fund Balances	2	47-48
Proprietary Funds:		
Combining Schedule of Net Assets	3	49
Combining Schedule of Revenues, Expenses and Changes		
in Fund Net Assets	4	50
Combining Schedule of Cash Flows	5	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	52-53
Schedule of Revenues by Source and Expenditures by Function -		
All Governmental Funds	7	54
Independent Auditor's Report on Internal Control over Financial Reporting		
and on Compliance and Other Matters Based on an Audit of Financial		
Statements Performed in Accordance with <i>Government Auditing Standards</i>		55-56
Schedule of Findings		57-59

## MOUNT AYR COMMUNITY SCHOOL DISTRICT

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September, 2007 Election)		
Craig Elliott	President	2007
James Uhlenkamp	Vice President	2008
Beth Whitson	Board Member	2008
Rodney Shields	Board Member	2009
David Richards	Board Member	2009

### **Board of Education** (After September, 2007 Election)

Rod Shields	President	2009
James Uhlenkamp	Vice President	2008
Beth Whitson	Board Member	2008
David Richards	Board Member	2009
Larry Giles	Board Member	2010

### **School Officials**

Russell Reiter	Superintendent	2008
Janette Campbell	District Secretary/Treasurer	2008
James Pederson	Attorney	Indefinite



### Independent Auditor's Report

To the Board of Education  
Mount Ayr Community School District  
Mount Ayr, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Mount Ayr Community School District, Mount Ayr, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Mount Ayr Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 10, 2008, on our consideration of the Mount Ayr Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Ayr Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007, (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Van Maanen & Associates, P.C.*

Van Maanen & Associates, P.C.  
Certified Public Accountants

November 10, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Mount Ayr Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

General Fund revenues increased from \$6,617,385 in fiscal 2007 to \$7,302,624 in fiscal 2008. General Fund expenditures increased from \$6,637,473 in fiscal 2007 to \$6,738,818 in fiscal 2008. The District's General Fund balance increased from -\$388,599 in fiscal 2007 to \$178,647 in fiscal 2008.

The increase in General Fund revenues was attributable to increased property taxes, tuition, and increased Federal funding. The small increase in expenditures was due primarily to budget cuts in all areas of the General Fund.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Mount Ayr Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mount Ayr Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mount Ayr Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

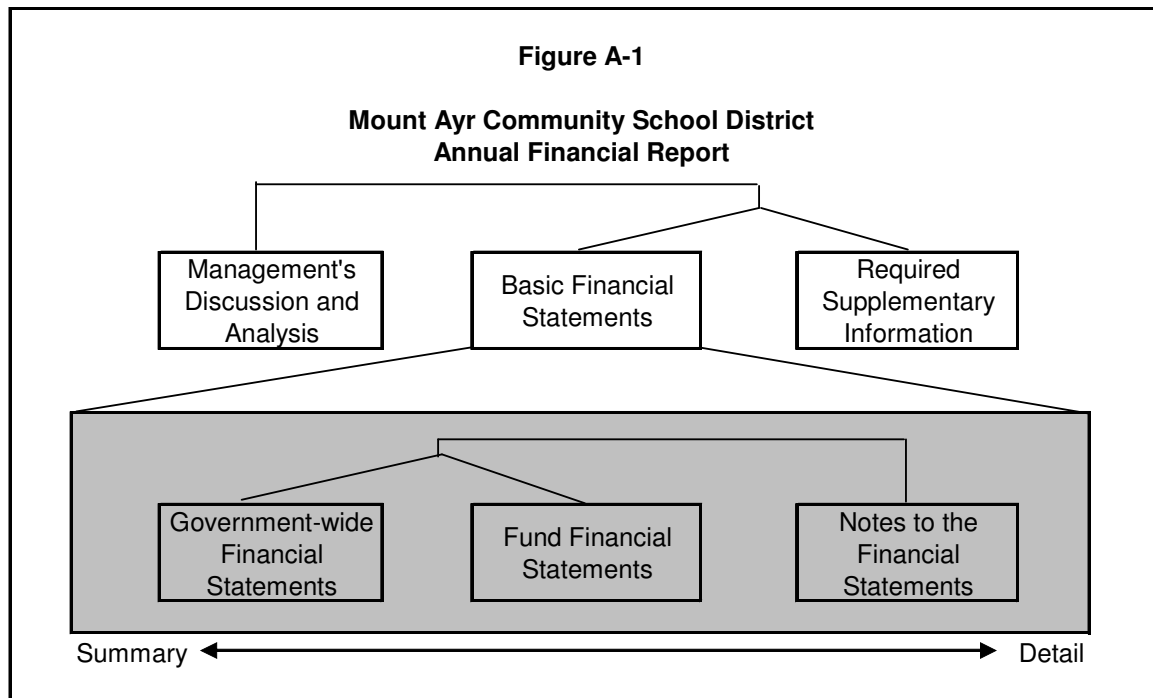


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the District-Wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required Financial Statements	> Statement of net assets > Statement of activities	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances	> Statement of net assets > Statement of revenues, expenses and changes in fund net assets > Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

**Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

**Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Student Construction Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3 Condensed Statement of Net Assets							
	Business Type				Total		Total
	Governmental Activities		Activities		Total		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$13,584,191	6,115,031	58,916	66,697	13,643,107	6,181,728	120.7%
Capital assets	6,246,997	6,446,907	29,520	30,149	6,276,517	6,477,056	-3.1%
<b>Total assets</b>	<b>19,831,188</b>	<b>12,561,938</b>	<b>88,436</b>	<b>96,846</b>	<b>19,919,624</b>	<b>12,658,784</b>	<b>57.4%</b>
Long-term debt obligations	6,920,636	278,394	-	-	6,920,636	278,394	2385.9%
Other liabilities	6,502,101	6,014,669	26,401	25,475	6,528,502	6,040,144	8.1%
<b>Total liabilities</b>	<b>13,422,737</b>	<b>6,293,063</b>	<b>26,401</b>	<b>25,475</b>	<b>13,449,138</b>	<b>6,318,538</b>	<b>112.9%</b>
Net assets							
Invested in capital assets, net of related debt	6,238,710	6,331,513	29,520	30,149	6,268,230	6,361,662	-1.5%
Restricted	94,659	453,475	-	-	94,659	453,475	-79.1%
Unrestricted	75,082	(516,113)	32,515	41,222	107,597	(474,891)	-122.7%
<b>Total net assets</b>	<b>\$ 6,408,451</b>	<b>6,268,875</b>	<b>62,035</b>	<b>71,371</b>	<b>6,470,486</b>	<b>6,340,246</b>	<b>2.1%</b>

The District's combined net assets increased by nearly 2.1%, or approximately \$130,240 over the prior year. The largest portion of the District's net assets is invested in capital assets, e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$358,816.00, or -79.1% over the prior year. The decrease was primarily a result of increased expenditures in the Capital Projects Fund. An increase in expenditures from the PPEL and Capital Project Funds resulted in smaller fund balances in these two funds which resulted in smaller "restricted" funds.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints by debt covenants, enabling legislation or other legal requirements) decreased approximately \$367,294.00 or -122.7%.

Figure A-4 shows the change in net assets for the year ended June 30, 2008.

<b>Figure A-4</b>						
<b>Changes in Net Assets</b>						
	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total District</b>	
	<b>Year ended June 30,</b>	<b>Year ended June 30,</b>	<b>Year ended June 30,</b>	<b>Year ended June 30,</b>	<b>Year ended June 30,</b>	<b>Year ended June 30,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenues:						
Program revenues:						
Charges for service and sales	\$ 878,100	949,644	162,631	167,432	1,040,731	1,117,076
Operating grants, contributions and restricted interest	1,196,488	943,506	180,766	175,003	1,377,254	1,118,509
General revenues:						
Property tax	2,873,282	2,391,127	-	-	2,873,282	2,391,127
Local option sales and services tax	376,904	375,889	-	-	376,904	375,889
Unrestricted states grants	2,538,270	2,547,543	-	-	2,538,270	2,547,543
Unrestricted investment earnings	162,969	123,257	863	1,340	163,832	124,597
Other	125,981	81,741	-	-	125,981	81,741
Total revenues	8,151,994	7,412,707	344,260	343,775	8,496,254	7,756,482
Program expenses:						
Governmental activities:						
Instruction	4,827,603	4,827,644	-	-	4,827,603	4,827,644
Support services	2,462,281	2,465,427	-	-	2,462,281	2,465,427
Non-instructional programs	22,566	22,506	353,596	332,819	376,162	355,325
Other expenses	699,968	251,278	-	-	699,968	251,278
Total expenses	8,012,418	7,566,855	353,596	332,819	8,366,014	7,899,674
Change in net assets	\$ 139,576	(154,148)	(9,336)	10,956	130,240	(143,192)

Property tax and unrestricted state grants account for 66.38% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90.98% of the total expenses.

#### *Governmental Activities*

Revenues for governmental activities were \$8,151,994 and expenses were \$8,012,418. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues and using carryover balances.

The following table (Figure A-5) presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services		Net Cost of Services			
	Year ended June 30,		Year ended June 30,			
	2008	2007	2008	2007		
Instruction	\$	4,827,603	4,827,644	\$	2,997,089	3,162,773
Support services		2,462,281	2,465,437		2,454,969	2,465,277
Non-instructional programs		22,566	22,506		22,566	22,506
Other expenses		699,968	251,278		463,206	23,149
Totals	\$	8,012,418	7,566,865	\$	5,937,830	5,673,705

The cost financed by users of the District's programs was \$878,100.

Federal and state governments subsidized certain programs with grants and contributions totaling \$1,196,488.

The net cost of governmental activities was financed with \$3,250,186 in property and other taxes and \$2,538,270 in unrestricted state grant.

#### *Business Type Activities*

Revenues for business type activities were \$344,260 and expenses were \$353,596. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The district increased meal prices in 2007-2008. This increase has resulted in increased revenue to the School Nutrition Fund which the District will utilize in the future replacement of obsolete kitchen equipment. The District also has increased revenues in the business type activities with the additional student construction project work.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Mount Ayr Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$7,049,638, above last year's ending fund balances of \$64,876. The primary reason for the increase in combined fund balances in fiscal 2008 is due the increase in the Capital Projects Construction Fund. This increase is due to the General Obligations Bonds received for the Elementary/Secondary Building Project.

#### *Governmental Fund Highlights*

The District's General Fund financial position has improved over the 2006-2007 school year. The General Fund balance increased from \$-388,599 in 2006-2007 to \$178,647, due in part to an increased levy on property taxes and also budget cuts. The approved ending General Fund balance for 2007-2008 was \$178,647. By implementing budget cuts in all areas and increasing revenues through property taxes, the district was able to end the 2007-2008 fiscal with a positive balance.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$23,462 in fiscal 2007 to \$-3,159 in fiscal 2008. The District did not levy for the PPEL Fund and used the PPEL fund to pay for the principal and interest payments on the Energy Management Loan. There was a net change in fund balance of (\$26,621).

The Capital Projects Fund balance increased from \$298,193 in fiscal 2007 to \$6,783,549 in 2008 due to the revenues collected from the One Cent Local Option Sales Tax and the General Obligation Bonds in the Capital Project Construction Fund. The District kept expenditures down in order to have a carry over balance to add to the 2008 budget year and help the cost of the building project.

#### *Propriety Fund Highlights*

Proprietary Fund net assets decreased from \$71,371 at June 30, 2007 to \$62,035 at June 30, 2008, representing a decrease of approximately 13.1%. As previously noted, the District increased meal prices in 2007-2008.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, The Mount Ayr Community School District amended its annual budget one time to reflect additional expenditures associated with increased insurance premiums/unemployment, grants received, purchase of a Special Education bus and a 65 passenger bus, building project, and land purchase.

The District's receipts were \$949,913 more than budgeted receipts. The most significant variance resulted from the revenue in the General and Capital Projects Funds.

Total expenditures were \$626,710 less than budgeted, due primarily to the District's budget for the General, School Nutrition and Capital Projects Funds. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Funds. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

At June 30, 2008, the District had invested \$6.27 million, net of accumulated depreciation in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of -3.1% from last year.

<b>Figure A-6</b>							
<b>Capital Assets, net of Depreciation</b>							
	<b>Business Type</b>				<b>Total School District</b>		<b>Total</b>
	<b>Governmental Activities</b>		<b>Activities</b>				<b>Change</b>
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2007-2008</b>
Land	\$ 145,185	118,185	-	-	145,185	118,185	22.8%
Buildings	5,008,471	5,184,920	-	-	5,008,471	5,184,920	-3.4%
Improvements other than buildings	140,153	151,102	-	-	140,153	151,102	-7.2%
Furniture and equipment	953,188	992,700	29,520	30,149	982,708	1,022,849	-3.9%
Totals	\$6,246,997	6,446,907	29,520	30,149	6,276,517	6,477,056	-3.1%

## Long-Term Debt

At June 30, 2008, the district had \$6,920,636 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 2,385.9% from last year. (See Figure A-7).

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
	<b>June 30,</b>		<b>Change</b>
	<b>2008</b>	<b>2007</b>	
General obligation bonds	\$ 6,700,000	-	100.0%
Capital loan notes	91,836	115,394	-20.4%
Non-instructional programs	128,800	163,000	-21.0%
Totals	\$ 6,920,636	278,394	2385.9%

On October 1, 2001 the District authorized Energy Management Improvement Capital Loan Notes in the amount of \$225,000 bearing interest and maturing each year until December 1, 2011

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The Mount Ayr Community School District passed a \$6.7 million dollar bond referendum on October 16, 2007 by a 64% majority. The district will add a middle school gymnasium and locker rooms to the secondary facility while it will replace the 1936 elementary building with new classrooms, lunchroom, multi-purpose facility and office space. The \$6.7 million dollar will increase the levy \$2.84 per thousand for the twenty year bond. Originally, the board of directors was committed to abate the levy with 50% of SILO funds collected (\$150,000) to lower the levy to approximately a \$1.99 per thousand. However, due to the increased cost of the project, the board is looking at a new revenue purpose statement to help finance the project with the statewide penny.

The Mount Ayr Community School District's enrollment decreased slightly for the 2008-09 school year. The districts certified enrollment also decreased this year and steps are being taken to reduce spending throughout the general fund. The district's new Pre-school has had a positive impact on the community and in preparing those students as they enter kindergarten.

Economically, the county will be affected by the economic crisis that is affecting the state and the country. There is optimism in the county as a new energy corporation called Heartland Energy has opened its doors. They will start production of Wind Turbine blades in January 2009. They will also expand into solar, hydrogen, biomass solutions and motion based propulsion in the future. The Ringgold County Hospital is building a new facility and is also looking to expand. We believe this will continue solid growth for the community, which should result in job opportunities and increased student enrollment.

The Board of Directors approved the .34¢ PPEL levy for the 2008-09 school year but is committed in keeping property taxes as low as possible.

The districts valuations increased from \$177,227,631 to \$189,450,790 for the 2008-09 school year.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janette Campbell, District Secretary/Treasurer and Business Manager, Mount Ayr Community School District, 1001 East Columbus Street, Mount Ayr, IA 50854.

## **Basic Financial Statements**

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents:			
ISCAP	\$ 2,695,686	-	2,695,686
Other	7,545,902	28,841	7,574,743
Receivables:			
Property tax:			
Delinquent	43,803	-	43,803
Succeeding year	2,844,243	-	2,844,243
Accounts	32,172	1,536	33,708
Accrued interest - ISCAP	13,307	-	13,307
Due from other governments	359,246	-	359,246
Inventories	-	28,539	28,539
Total current assets	13,534,359	58,916	13,593,275
Noncurrent assets:			
Bond issuance costs	43,237	-	43,237
Bond discount	6,595	-	6,595
Capital assets:			
Capital assets - nondepreciable	145,185	-	145,185
Capital assets - depreciable, net	6,101,812	29,520	6,131,332
Total non current assets	6,296,829	29,520	6,326,349
<b>Total assets</b>	<b>\$ 19,831,188</b>	<b>88,436</b>	<b>19,919,624</b>
<b>Liabilities</b>			
Current liabilities:			
Excess of outstanding warrants over balance	\$ 2,472	-	2,472
Accounts payable	181,569	-	181,569
Salaries and benefits payable	677,589	26,401	703,990
Due to other governments	19,428	-	19,428
Accrued interest payable	48,399	-	48,399
Unearned revenue:			
Succeeding year property tax	2,844,243	-	2,844,243
ISCAP warrants payable	2,678,000	-	2,678,000
ISCAP accrued interest payable	14,358	-	14,358
ISCAP unamortized premium	36,043	-	36,043
General obligation bonds	220,000	-	220,000
Capital notes payable	24,702	-	24,702
Early retirement	28,900	-	28,900
Total current liabilities	6,775,703	26,401	6,802,104
Noncurrent liabilities:			
General obligation bonds	6,480,000	-	6,480,000
Capital notes payable	67,134	-	67,134
Early retirement	99,900	-	99,900
Total noncurrent liabilities	6,647,034	-	6,647,034
<b>Total liabilities</b>	<b>13,422,737</b>	<b>26,401</b>	<b>13,449,138</b>



MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,238,710	29,520	6,268,230
Restricted for:			
Other special revenue purposes	94,659	-	94,659
Unrestricted	75,082	32,515	107,597
<b>Total net assets</b>	<b>6,408,451</b>	<b>62,035</b>	<b>6,470,486</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,831,188</b>	<b>88,436</b>	<b>19,919,624</b>

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2008

		Program Revenues	
		Charges for	Operating Grants, Contributions and Restricted Interest
	Expenses	Service	
<b>Functions/Programs</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 2,700,056	299,432	634,561
Special instruction	1,113,779	286,216	232,044
Other instruction	1,013,768	292,282	85,979
	<u>4,827,603</u>	<u>877,930</u>	<u>952,584</u>
Support Service:			
Student services	184,627	-	-
Instructional staff services	299,109	-	-
Administration services	840,917	-	-
Operating and maintenance of plant services	667,753	170	7,142
Transportation services	469,875	-	-
	<u>2,462,281</u>	<u>170</u>	<u>7,142</u>
Non-instructional programs	<u>22,566</u>	-	-
Other expenditures:			
Facilities acquisition	392,768	-	-
Long-term debt interest	53,615	-	-
AEA flowthrough	236,762	-	236,762
Depreciation (unallocated)*	16,823	-	-
	<u>699,968</u>	<u>-</u>	<u>236,762</u>
Total governmental activities	8,012,418	878,100	1,196,488
Business type activities:			
Non-instructional programs:			
Nutrition services	353,442	161,247	180,766
Other enterprise services	154	1,384	-
Total business type activities	<u>353,596</u>	<u>162,631</u>	<u>180,766</u>
Total Primary Government	<u>\$ 8,366,014</u>	<u>1,040,731</u>	<u>1,377,254</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(1,766,063)	-	(1,766,063)
(595,519)	-	(595,519)
(635,507)	-	(635,507)
(2,997,089)	-	(2,997,089)
(184,627)	-	(184,627)
(299,109)	-	(299,109)
(840,917)	-	(840,917)
(660,441)	-	(660,441)
(469,875)	-	(469,875)
(2,454,969)	-	(2,454,969)
(22,566)	-	(22,566)
(392,768)	-	(392,768)
(53,615)	-	(53,615)
-	-	-
(16,823)	-	(16,823)
(463,206)	-	(463,206)
(5,937,830)	-	(5,937,830)
-	(11,429)	(11,429)
-	1,230	1,230
-	(10,199)	(10,199)
(5,937,830)	(10,199)	(5,948,029)

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2008

	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest
	Expenses	Service	
Totals from previous pages	\$ 8,366,014	1,040,731	1,377,254

## General Revenues:

Property tax levied for:  
    General purposes  
Local option sales and services tax  
Unrestricted state grants  
Contributions not restricted to specific programs  
Unrestricted investment earnings  
Gain on sale of capital assets  
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* This amount excludes the depreciation that is included in the direct expense  
of the various programs.

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(5,937,830)	(10,199)	(5,948,029)
2,873,282	-	2,873,282
376,904	-	376,904
2,538,270	-	2,538,270
96,069	-	96,069
162,969	863	163,832
8,737	-	8,737
21,175	-	21,175
6,077,406	863	6,078,269
139,576	(9,336)	130,240
6,268,875	71,371	6,340,246
\$ 6,408,451	62,035	6,470,486

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	Capital Projects	Non-major Special Revenue	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	\$ 2,695,686	-	-	2,695,686
Other	739,442	6,677,026	127,315	7,543,783
Receivables:				
Property tax:				
Delinquent	41,431	-	2,372	43,803
Succeeding year	2,603,223	-	241,020	2,844,243
Accounts	15,858	16,314	-	32,172
Accrued interest:				
ISCAP	13,307	-	-	13,307
Due from other governments	250,189	109,057	-	359,246
<b>Total assets</b>	<b>\$ 6,359,136</b>	<b>6,802,397</b>	<b>370,707</b>	<b>13,532,240</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Excess of outstanding warrants over balance	\$ -	-	2,472	2,472
Accounts payable	151,848	18,848	10,873	181,569
Salaries and benefits payable	677,589	-	-	677,589
Due to other governments	19,428	-	-	19,428
Early retirement payable	-	-	28,900	28,900
ISCAP warrants payable	2,678,000	-	-	2,678,000
ISCAP accrued interest payable	14,358	-	-	14,358
ISCAP unamortized premium	36,043	-	-	36,043
Deferred revenue:				
Succeeding year property tax	2,603,223	-	241,020	2,844,243
Total liabilities	6,180,489	18,848	283,265	6,482,602
Fund balances:				
Unreserved	178,647	6,783,549	87,442	7,049,638
Total fund balances	178,647	6,783,549	87,442	7,049,638
<b>Total liabilities and fund balances</b>	<b>\$ 6,359,136</b>	<b>6,802,397</b>	<b>370,707</b>	<b>13,532,240</b>

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2008

**Total fund balances of governmental funds (Exhibit C)** \$ 7,049,638

***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 6,246,997

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 2,119

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	\$ (6,700,000)	
Capital loan notes	(91,836)	
Early retirement	(128,800)	
Bond issuance cost	43,237	
Bond discount	6,595	
Accrued interest	(48,399)	
Portion of Early Retirement reflected on governmental funds	28,900	(6,890,303)

**Net assets of governmental activities (Exhibit A)** \$ 6,408,451

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year ended June 30, 2008

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,723,743	-	376,904	149,539	3,250,186
Tuition	556,040	-	-	-	556,040
Other	286,350	-	33,642	280,449	600,441
Intermediate sources	33,771	-	-	-	33,771
State sources	3,328,561	-	-	99	3,328,660
Federal sources	374,159	-	-	-	374,159
Total revenues	<u>7,302,624</u>	<u>-</u>	<u>410,546</u>	<u>430,087</u>	<u>8,143,257</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,504,140	-	-	57,734	2,561,874
Special	1,101,386	-	-	-	1,101,386
Other	712,808	-	-	278,530	991,338
	<u>4,318,334</u>	<u>-</u>	<u>-</u>	<u>336,264</u>	<u>4,654,598</u>
Support services:					
Student	179,619	-	-	-	179,619
Instructional staff	206,675	-	83,216	-	289,891
Administration	771,294	-	16	64,105	835,415
Operation and maintenance of plant	596,869	-	-	54,152	651,021
Transportation	429,265	-	-	16,693	445,958
	<u>2,183,722</u>	<u>-</u>	<u>83,232</u>	<u>134,950</u>	<u>2,401,904</u>
Other expenditures:					
Facilities acquisition	-	-	491,708	12,304	504,012
Long-term debt:					
Principal	-	23,558	-	-	23,558
General obligation bond issuance costs	-	-	43,600	-	43,600
Interest and fiscal charges	-	5,260	-	-	5,260
AEA flowthrough	236,762	-	-	-	236,762
	<u>236,762</u>	<u>28,818</u>	<u>535,308</u>	<u>12,304</u>	<u>813,192</u>
Total expenditures	<u>6,738,818</u>	<u>28,818</u>	<u>618,540</u>	<u>483,518</u>	<u>7,869,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>563,806</u>	<u>(28,818)</u>	<u>(207,994)</u>	<u>(53,431)</u>	<u>273,563</u>
Other financing sources (uses):					
Operating transfers in	-	28,818	-	-	28,818
Operating transfers out	(14,409)	-	-	(14,409)	(28,818)
Proceeds from general obligation bond issue	-	-	6,793,204	-	6,793,204
Discount on bonds	-	-	(99,854)	-	(99,854)
Sale of equipment	17,849	-	-	-	17,849
Total other financing sources (uses)	<u>3,440</u>	<u>28,818</u>	<u>6,693,350</u>	<u>(14,409)</u>	<u>6,711,199</u>
Net change in fund balances	567,246	-	6,485,356	(67,840)	6,984,762
Fund balances beginning of year	(388,599)	-	298,193	155,282	64,876
Fund balances end of year	<u>\$ 178,647</u>	<u>-</u>	<u>6,783,549</u>	<u>87,442</u>	<u>7,049,638</u>

See notes to financial statements.



MOUNT AYR COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2008

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 6,984,762

***Amounts reported for governmental activities in the  
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 159,889	
Depreciation expense	<u>(350,687)</u>	(190,798)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. The gain on disposition of capital assets and the proceeds from disposition are as follows:

Gain on disposition of capital assets	8,737	
Proceeds from the disposition	<u>(17,849)</u>	(9,112)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. Current year items are as follows:

Proceeds from issuing general obligation bonds	(6,700,000)	
Discount on general obligation issuance	6,650	
Payment of general obligation bond issuance costs	43,600	
Repayments of bond and note principal	23,558	
Amortization of premiums and bond issuance costs	<u>(418)</u>	(6,626,610)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(47,937)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		28,900
------------------	--	--------

The change in net assets of the Internal Service Funds represent an undercharge to the governmental funds served and, therefore, increases expenses in the Statement of Activities.

371

**Change in net assets of governmental activities (Exhibit B)**

\$ 139,576

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

	Business Type Activities	Governmental Activities
	Non-major Enterprise Fund	Internal Services Fund
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 28,841	2,119
Accounts receivable	1,536	-
Inventories	28,539	-
Total current assets	<u>58,916</u>	<u>2,119</u>
Non-current assets:		
Property and equipment:		
Machinery and equipment	266,887	-
Accumulated depreciation	(237,367)	-
Total non-current assets	<u>29,520</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 88,436</u></u>	<u><u>2,119</u></u>
<b>Liabilities</b>		
Current liabilities:		
Salaries and benefits payable	\$ 26,401	-
Total current liabilities	<u>26,401</u>	<u>-</u>
<b>Total liabilities</b>	<u>26,401</u>	<u>-</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	29,520	-
Unrestricted	<u>32,515</u>	<u>2,119</u>
<b>Total net assets</b>	<u>62,035</u>	<u>2,119</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 88,436</u></u>	<u><u>2,119</u></u>

See notes to financial statements.

## Exhibit H

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year ended June 30, 2008

	Business Type Activities	Governmental Activities
	Non-major Enterprise Fund	Internal Services Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 162,631	846
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Depreciation	629	-
Other	352,813	-
	353,442	-
Other enterprise operations:		
Other	154	475
Total operating expenses	353,596	475
Operating income (loss)	(190,965)	371
Non-operating revenues:		
Local sources	863	-
State sources	4,070	-
Federal sources	176,696	-
Total non-operating revenues	181,629	-
Net income (loss)	(9,336)	371
Net assets beginning of year	71,371	1,748
Net assets end of year	\$ 62,035	2,119

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year ended June 30, 2008

	Business Type Activities Non-major Enterprise Fund	Governmental Activities Internal Services Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 146,646	-
Cash received from miscellaneous operating activities	14,468	846
Cash paid to employees for services	(159,164)	-
Cash paid to suppliers for goods or services	(161,926)	(475)
Net cash provided (used) by operating activities	(159,976)	371
Cash flows from non-capital financing activities:		
State grants received	4,070	-
Federal grants received	149,045	-
Net cash provided by non-capital financing activities	153,115	-
Cash flows from investing activities:		
Interest on investments	951	-
Net increase (decrease) in cash and cash equivalents	(5,910)	371
Cash and cash equivalents at beginning of year	34,751	1,748
Cash and cash equivalents at end of year	\$ 28,841	2,119
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (190,965)	371
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	27,651	-
Depreciation	629	-
(Increase) in accounts receivable	(1,517)	-
Decrease in inventories	4,933	-
(Decrease) in accounts payable	(4,007)	-
Increase in salaries and benefits payable	3,300	-
Net cash provided (used) by operating activities	\$ (159,976)	371
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>		
Current assets:		
Cash	\$ 28,841	2,119
Cash and cash equivalents at year end	\$ 28,841	2,119

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2008, the District received federal commodities valued at \$27,651.

See notes to financial statements.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2008

	<u>Expendable Trusts</u>
	<u>Memorial Fund</u>
<b>Assets</b>	
Cash and investments	\$ 2,744
<b>Total assets</b>	<u>2,744</u>
<b>Net assets</b>	
Held in trust for special purposes	<u>\$ 2,744</u>

See notes to financial statements.

Exhibit K

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2008

	<u>Expendable Trusts</u>
	<u>Memorial Fund</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 5,000
Total additions	<u>5,000</u>
Deductions:	
Instruction:	
Supplies	<u>4,992</u>
Administration:	
Services	<u>623</u>
Total deductions	<u>5,615</u>
Change in net assets	(615)
Net assets beginning of year	<u>3,359</u>
Net assets end of year	<u><u>\$ 2,744</u></u>

See notes to financial statements.

## MOUNT AYR COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS Year Ending June 30, 2008

#### (1) Summary of Significant Accounting Policies

The Mount Ayr Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Mount Ayr, Iowa, and the predominate agricultural territories in Ringgold and Taylor Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Mount Ayr Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Mount Ayr Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Ringgold County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

## MOUNT AYR COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS Year Ending June 30, 2008

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund accounts for all sources used to finance District operation and maintenance, except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.



MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2008

Physical Plant and Equipment Levy (PPEL) Fund: This fund is authorized by Iowa Code 298.2 and accounts for transactions related to the improvement of facilities and grounds, construction of school houses, certain equipment expenditures and other expenditures authorized in Iowa Code 298.3.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise funds of the District are considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Student Construction Fund: This fund accounts for transactions related to construction projects performed by students for educational purposes.

Internal Service Funds: The internal service funds are used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The District has the following internal service fund:

Flexible Benefits: This fund accounts for transactions for certain benefits available to District employees in which the District is responsible for paying all premiums or costs specified by the employee.

**Fiduciary Fund Types:** Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Expendable Trust Fund: These funds account for assets held by the District for special projects of the District with funds given by individuals, private organizations and other governments.

## MOUNT AYR COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS Year Ending June 30, 2008

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and early retirement are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2008

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

# MOUNT AYR COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS Year Ending June 30, 2008

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2008

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the non-instructional programs function and the District exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 14,409
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	14,409
		<u>\$ 28,818</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2008

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investment	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/2008	1/23/2009	\$ 840,690	12,604	838,000	13,652
2008-09A	6/26/2008	6/26/2009	1,854,996	703	1,840,000	706
Total			<u>\$ 2,695,686</u>	<u>13,307</u>	<u>2,678,000</u>	<u>14,358</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ -	605,000	605,000	-
Total	<u>\$ -</u>	<u>605,000</u>	<u>605,000</u>	<u>-</u>

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2008

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 118,185	27,000	-	145,185
Total capital assets not being depreciated	118,185	27,000	-	145,185
Capital assets being depreciated:				
Buildings	9,911,547	-	-	9,911,547
Improvements other than buildings	437,424	-	-	437,424
Furniture and equipment	2,984,788	132,889	71,396	3,046,281
Total capital assets being depreciated	13,333,759	132,889	71,396	13,395,252
Less accumulated depreciation for:				
Buildings	4,726,627	176,450	-	4,903,077
Improvements other than buildings	286,322	10,949	-	297,271
Furniture and equipment	1,992,088	163,288	62,284	2,093,092
Total accumulated depreciation	7,005,037	350,687	62,284	7,293,440
Total capital assets being depreciated, net	6,328,722	(217,798)	9,112	6,101,812
Governmental activities capital assets, net	\$ 6,446,907	(190,798)	9,112	6,246,997
<b>Business type activities:</b>				
Furniture and equipment	\$ 266,887	-	-	266,887
Less accumulated depreciation	236,738	629	-	237,367
Business type activities capital assets, net	\$ 30,149	(629)	-	29,520

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 165,353
Special	12,393
Other	22,430

Support services:

Student	5,608
Instructional staff	9,218
Administration	7,002
Operation and maintenance of plant	16,732
Transportation	72,562
Non-instructional programs	22,566

333,864

Unallocated

16,823

Total depreciation expense - governmental activities

\$ 350,687

Business type activities:

Food services

\$ 629

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2008

**(6) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ -	6,700,000	-	6,700,000	220,000
Capital loan notes	115,394	-	23,558	91,836	24,702
Early retirement	163,000	-	34,200	128,800	28,900
	<u>\$ 278,394</u>	<u>6,700,000</u>	<u>57,758</u>	<u>6,920,636</u>	<u>273,602</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2008				
Year ended June 30,	Rates	Principal	Interest	Total
2009	4.250%	\$ 220,000	288,190	508,190
2010	4.250%	230,000	278,840	508,840
2011	4.250%	240,000	269,065	509,065
2012	4.250%	250,000	258,865	508,865
2013	4.250%	260,000	248,240	508,240
2014	4.250%	270,000	237,190	507,190
2015	4.250%	280,000	225,715	505,715
2016	4.250%	295,000	213,815	508,815
2017	4.250%	305,000	201,278	506,278
2018	4.250%	320,000	188,315	508,315
2019	4.250%	330,000	174,715	504,715
2020	4.250%	345,000	160,690	505,690
2021	4.250%	360,000	146,027	506,027
2022	4.250%	375,000	130,728	505,728
2023	4.250%	390,000	114,790	504,790
2024	4.300%	410,000	98,215	508,215
2025	4.350%	425,000	80,585	505,585
2026	4.400%	445,000	62,097	507,097
2027	4.450%	465,000	42,518	507,518
2028	4.500%	485,000	21,825	506,825
Total		<u>\$ 6,700,000</u>	<u>3,441,703</u>	<u>10,141,703</u>



# MOUNT AYR COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS Year Ending June 30, 2008

### Capital Loan Notes

Details of the District's June 30, 2008 capital loan note indebtedness are as follows:

Period Ending June 30,	2001 Capital Loan Note			
	Interest Rate	Principal	Interest	Total
2009	4.80%	\$ 24,702	4,116	28,818
2010	4.80%	25,902	2,916	28,818
2011	4.80%	27,161	1,657	28,818
2012	4.80%	14,071	338	14,409
Total		<u>\$ 91,836</u>	<u>9,027</u>	<u>100,863</u>

### **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$268,384, \$256,262, and \$247,684, respectively, equal to the required contributions for each year.

### **(8) Termination Benefits**

The District offers a voluntary early retirement plan to its full-time, certified employees. Eligible employees must be at least age fifty-four by September 1, but not more than sixty-two years of age by June 1 preceding the year of retirement and employees must have completed ten years of service to the District. Employees must complete an application and an attached letter of resignation which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is the difference between the salary schedule base and the employee's placement on the salary schedule using the salary schedule in effect for the last year of employment and subject to a maximum of \$19,475 to \$36,000 per individual depending upon the individual's level of education and service to the District.

Early retirement benefits are paid monthly and cease when the retiree reaches the age of 65.

At June 30, 2008, the District has obligations to 13 participants with a total liability of \$128,800. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$34,200.

MOUNT AYR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Year Ending June 30, 2008

**(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$236,762 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Fund Balance**

The Management Fund and Physical Plant and Equipment Levy Fund had deficit balances of \$4,058 and \$3,159 respectively as of June 30, 2008.

**(12) Subsequent Event**

On October 16, 2007 the voters approved a \$6.7 million dollar bond issue. The proceeds of the bonds will be used to build and furnish additions to the elementary and middle school/high school buildings as well as remodel and improve the existing buildings. The proceeds of the general obligation bond were received May 1, 2008. At the October 13, 2008 meeting, bids totaling \$5,372,784 were approved. Additional bids of approximately \$3.9 million were still left to be approved. The total projected cost is approximately \$9.3 million.

### **Required Supplementary Information**

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 4,406,667	163,494	4,570,161
Intermediate sources	33,771	-	33,771
State sources	3,328,660	4,070	3,332,730
Federal sources	374,159	176,696	550,855
Total revenues	8,143,257	344,260	8,487,517
Expenditures:			
Instruction	4,654,598	-	4,654,598
Support services	2,401,904	-	2,401,904
Non-instructional programs	-	353,596	353,596
Other expenditures	813,192	-	813,192
Total expenditures	7,869,694	353,596	8,223,290
Excess of revenues over expenditures	273,563	(9,336)	264,227
Other financing sources, net	6,711,199	-	6,711,199
Excess of revenues and other financing sources over expenditures and other financing uses	6,984,762	(9,336)	6,975,426
Balances beginning of year	64,876	71,371	136,247
Balances end of year	\$ 7,049,638	62,035	7,111,673

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
4,232,321	3,839,382	730,779
7,500	12,000	21,771
3,159,329	3,240,222	92,508
526,000	446,000	104,855
7,925,150	7,537,604	949,913
4,626,000	4,900,000	245,402
2,351,000	2,500,000	98,096
350,000	350,000	(3,596)
303,175	1,100,000	286,808
7,630,175	8,850,000	626,710
294,975	(1,312,396)	1,576,623
(13,682)	6,686,318	24,881
281,293	5,373,922	1,601,504
(399,323)	(399,323)	535,570
(118,030)	4,974,599	2,137,074

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,219,825.

During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the non-instructional programs function and the District exceeded its General Fund unspent authorized budget.

### **Other Supplementary Information**

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR SPECIAL REVENUE FUNDS  
June 30, 2008

	Management	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 32,656	94,659	-	127,315
Receivables:				
Property tax:				
Delinquent	2,372	-	-	2,372
Succeeding year	178,501	-	62,519	241,020
<b>Total assets</b>	<b>\$ 213,529</b>	<b>94,659</b>	<b>62,519</b>	<b>370,707</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Excess of outstanding warrants over balance	\$ -	-	2,472	2,472
Accounts payable	10,186	-	687	10,873
Deferred revenue:				
Succeeding year property tax	178,501	-	62,519	241,020
Early retirement payable	28,900	-	-	28,900
Total liabilities	217,587	-	65,678	283,265
Fund equity:				
Fund balances:				
Unreserved fund balances	(4,058)	94,659	(3,159)	87,442
<b>Total liabilities and fund equity</b>	<b>\$ 213,529</b>	<b>94,659</b>	<b>62,519</b>	<b>370,707</b>

See accompanying independent auditor's report.



## Schedule 2

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 June 30, 2008

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 149,539	-	-	149,539
Other	47	280,310	92	280,449
	149,586	280,310	92	429,988
State sources:				
Revenue in lieu of taxes - military credit	99	-	-	99
Total revenues	149,685	280,310	92	430,087
Expenditures:				
Instruction:				
Regular:				
Benefits	57,734	-	-	57,734
Co-curricular:				
Services	-	40,747	-	40,747
Supplies	-	217,285	-	217,285
Other	-	20,498	-	20,498
	-	278,530	-	278,530
Total instruction	57,734	278,530	-	336,264
Support Services:				
General administration:				
Benefits	63,115	-	-	63,115
Services	990	-	-	990
	64,105	-	-	64,105
Plant operation and maintenance:				
Services	54,152	-	-	54,152
Student transportation:				
Services	16,693	-	-	16,693
Total support services	134,950	-	-	134,950
Other expenditures:				
Facilities acquisition:				
Property	-	-	12,304	12,304
Total expenditures	192,684	278,530	12,304	483,518

## Schedule 2

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 June 30, 2008

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Excess (deficiency) of revenues over (under) expenditures	(42,999)	1,780	(12,212)	(53,431)
Other financing uses:				
Operating transfers out	-	-	(14,409)	(14,409)
Total other financing uses	-	-	(14,409)	(14,409)
Net change in fund balances	(42,999)	1,780	(26,621)	(67,840)
Fund balance beginning of year	38,941	92,879	23,462	155,282
Fund balance end of year	\$ (4,058)	94,659	(3,159)	87,442

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Student Construction	Total	Flexible Benefits
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 23,354	5,487	28,841	2,119
Accounts receivable	898	638	1,536	-
Inventories	28,539	-	28,539	-
Total current assets	52,791	6,125	58,916	2,119
Non-current assets:				
Property and equipment:				
Machinery and equipment	266,887	-	266,887	-
Accumulated depreciation	(237,367)	-	(237,367)	-
Total non-current assets	29,520	-	29,520	-
<b>Total assets</b>	<b>\$ 82,311</b>	<b>6,125</b>	<b>88,436</b>	<b>2,119</b>
<b>Liabilities</b>				
Current liabilities:				
Salaries and benefits payable	\$ 26,401	-	26,401	-
Total current liabilities	26,401	-	26,401	-
<b>Total liabilities</b>	<b>26,401</b>	<b>-</b>	<b>26,401</b>	<b>-</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	29,520	-	29,520	-
Unrestricted	26,390	6,125	32,515	2,119
<b>Total net assets</b>	<b>55,910</b>	<b>6,125</b>	<b>62,035</b>	<b>2,119</b>
<b>Total liabilities and net assets</b>	<b>\$ 82,311</b>	<b>6,125</b>	<b>88,436</b>	<b>2,119</b>

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Student Construction	Total	Flexible Benefits
Operating revenues:				
Local sources:				
Other local sources:				
Food service sales	\$ 147,544	-	147,544	-
Other operating revenues	13,703	1,384	15,087	846
Total operating revenues	161,247	1,384	162,631	846
Operating expenses:				
Instruction:				
Other instruction:				
Supplies	-	139	139	-
Support services:				
Other	-	-	-	475
Administrative services:				
Services	-	15	15	-
	-	154	154	475
Non-instructional programs:				
Food services operations:				
Salaries	138,697	-	138,697	-
Benefits	25,400	-	25,400	-
Supplies	188,716	-	188,716	-
Depreciation	629	-	629	-
	353,442	-	353,442	-
Total operating expenses	353,442	154	353,596	475
Operating income (loss)	(192,195)	1,230	(190,965)	371
Non-operating revenues:				
Interest on investments	863	-	863	-
State lunch and breakfast program claims	4,070	-	4,070	-
National School Lunch Program	110,917	-	110,917	-
School Breakfast Program	38,128	-	38,128	-
Food distribution	27,651	-	27,651	-
Total non-operating revenues	181,629	-	181,629	-
Net income	(10,566)	1,230	(9,336)	371
Net assets beginning of year	66,476	4,895	71,371	1,748
Net assets end of year	\$ 55,910	6,125	62,035	2,119

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF CASH FLOWS  
PROPRIETARY FUNDS  
June 30, 2008

	Business Type Activities			Governmental Activities
	Non-major Enterprise Funds			Internal Service Funds
	School Nutrition	Student Construction	Total	Flexible Benefits
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 146,646	-	146,646	-
Cash received from other operating activities	13,703	765	14,468	846
Cash payments to employees for services	(159,164)	-	(159,164)	-
Cash payments to suppliers for goods or services	(161,772)	(154)	(161,926)	(475)
Net cash provided (used) by operating activities	(160,587)	611	(159,976)	371
Cash flows from non-capital financing activities:				
State grants received	4,070	-	4,070	-
Federal grants received	149,045	-	149,045	-
Net cash provided by non-capital financing activities	153,115	-	153,115	-
Cash flows from investing activities:				
Interest on investments	951	-	951	-
Net increase (decrease) in cash and cash equivalents	(6,521)	611	(5,910)	371
Cash and cash equivalents at beginning of year	29,875	4,876	34,751	1,748
Cash and cash equivalents at end of year	\$ 23,354	5,487	28,841	2,119
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (192,195)	1,230	(190,965)	371
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities used	27,651	-	27,651	-
Depreciation	629	-	629	-
(Increase) decrease in accounts receivable	(898)	(619)	(1,517)	-
Decrease in inventories	4,933	-	4,933	-
(Decrease) in accounts payable	(4,007)	-	(4,007)	-
Increase in salaries and benefits payable	3,300	-	3,300	-
Net cash provided (used) by operating activities	\$ (160,587)	611	(159,976)	371
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>				
Current assets:				
Cash	\$ 23,354	5,487	28,841	2,119
Cash and cash equivalents at year end	\$ 23,354	5,487	28,841	2,119

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2008, the District received federal commodities valued at \$27,651.

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues and Transfers In	Expenditures	Balance End of Year
Adult Education	\$ 2,768	1,354	1,851	2,271
Alternative School	749	-	50	699
Art Club	461	1,367	747	1,081
Athletics:				
Football	13,840	25,998	28,174	11,664
Volleyball	2,154	4,767	4,529	2,392
Wrestling	(1,608)	8,810	10,620	(3,418)
Boys' basketball	9,636	13,632	12,385	10,883
Girls' basketball	7,782	11,677	11,002	8,457
Boys' track	(8,372)	4,335	3,936	(7,973)
Girls' track	(7,442)	8,650	10,401	(9,193)
Golf	(3,318)	6,910	8,376	(4,784)
Baseball	(2,917)	12,901	14,373	(4,389)
Softball	963	7,715	8,212	466
Miscellaneous	(4,371)	5	891	(5,257)
Ayrian	1,465	9,971	6,975	4,461
Band	1,275	5,058	6,325	8
Character Counts	164	529	435	258
Cheerleaders	(135)	4,662	4,638	(111)
Class:				
Senior	580	4,131	6,519	(1,808)
Junior	6,018	19,360	19,634	5,744
Sophmore	536	4,158	1,719	2,975
Freshman	3,775	4,506	4,908	3,373
Concessions	-	10,439	7,619	2,820
Drama Club	717	5,298	4,991	1,024
Drill Team	3,706	5,517	8,504	719
Elementary Activities	8,318	11,463	11,241	8,540
Elementary Library	2,212	1,438	1,167	2,483
Elementary Student Council	2,056	5,545	5,017	2,584
Future Farmers of America	18,847	43,793	39,677	22,963
Future Homemakers of America	103	492	469	126
F.T.A.	1,975	-	224	1,751
Gifts/Memorials	4,738	3,153	2,094	5,797
Industrial Arts	(30)	3,015	3,321	(336)
Jr. High School	10,244	7,103	7,565	9,782
Library Club	237	515	482	270
Miscellaneous	3,783	3,124	3,503	3,404
Office education (BPA)	2,523	-	100	2,423
Pep Club	393	1,301	812	882
Resale	276	6,261	6,350	187
S.A.D.D.	586	50	196	440
Science Club	601	-	-	601
Elementary Yearbook	204	2,292	2,088	408

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues and Transfers In	Expenditures	Balance End of Year
International Club	1,437	2,122	1,304	2,255
Special Olympics	874	48	621	301
Speech	-	250	301	(51)
Student Council	239	1,206	1,162	283
Vocal music	2,068	3,299	2,289	3,078
Weightlifting	2,769	2,090	733	4,126
Total	\$ 92,879	280,310	278,530	94,659

See accompanying independent auditor's report.

MOUNT AYR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	2008	2007	2006	2005	2004	2003	2002
Revenues:							
Local sources:							
Local tax	\$ 3,250,186	2,767,016	2,572,488	2,451,825	2,376,629	2,377,295	2,024,160
Tuition	556,040	608,610	529,221	423,715	468,609	545,882	546,584
Other	600,441	539,291	452,485	456,198	367,281	450,124	417,165
Intermediate sources	33,771	16,026	9,184	11,461	19,491	23,885	45,615
State sources	3,328,660	3,115,847	3,178,765	3,108,574	3,374,553	3,335,123	3,411,878
Federal sources	374,159	345,295	357,147	283,269	271,334	260,386	289,085
Total	<u>\$ 8,143,257</u>	<u>7,392,085</u>	<u>7,099,290</u>	<u>6,735,042</u>	<u>6,877,897</u>	<u>6,992,695</u>	<u>6,734,487</u>
Expenditures:							
Instruction:							
Regular	\$ 2,561,874	2,441,247	2,252,637	2,263,656	2,383,276	2,195,590	2,318,024
Special	1,101,386	1,229,717	1,359,199	1,317,696	1,271,789	1,330,654	1,301,817
Other	991,338	931,330	973,588	779,600	758,563	717,350	751,655
Support services:							
Student	179,619	185,798	206,175	174,313	148,048	142,481	187,156
Instructional staff	289,891	289,064	304,577	320,562	203,150	256,930	208,759
Administration	835,415	866,402	825,682	760,148	631,628	610,999	599,970
Operation and maintenance of plant	651,021	556,011	573,287	580,080	451,782	490,606	432,079
Transportation	445,958	503,431	425,201	318,102	288,136	268,432	311,839
Central support	-	-	-	65,926	54,662	95,673	156,355
Other support	-	-	-	-	8,845	-	-
Other expenditures:							
Facilities acquisition	504,012	101,995	223,998	367,132	145,579	5,158	607,785
Long-term debt:							
Principal	23,558	22,467	46,419	43,833	41,363	204,463	188,912
Interest and other charges	48,860	6,351	7,392	9,978	12,448	18,409	24,708
AEA flowthrough	236,762	228,129	222,117	218,935	228,706	246,674	249,067
Total	<u>\$ 7,869,694</u>	<u>7,361,942</u>	<u>7,420,272</u>	<u>7,219,961</u>	<u>6,627,975</u>	<u>6,583,419</u>	<u>7,338,126</u>

See accompanying independent auditor's report.





Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Mount Ayr Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Mount Ayr Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated November 10, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mount Ayr Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Mount Ayr Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mount Ayr Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mount Ayr Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Mount Ayr Community School District's financial statements that is more than inconsequential will not be prevented or detected by Mount Ayr Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Mount Ayr Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Ayr Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mount Ayr Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Mount Ayr Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mount Ayr Community School District and other parties to whom Mount Ayr Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mount Ayr Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen & Associates, P.C.*

Van Maanen & Associates, P.C.  
Certified Public Accountants

November 10, 2008

MOUNT AYR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2008

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**SIGNIFICANT DEFICIENCIES**

II-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards**

Not applicable since less than \$500,000 in federal awards.

MOUNT AYR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2008

**Part IV: Other Findings Related to Required Statutory Reporting**

- IV-A-08 Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the amended certified budget amounts in the non-instructional programs function. The District also exceeded its unspent authorized budget for the year ended June 30, 2008 by approximately \$110,000.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the unspent authorized budget issue.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion – Response accepted.

- IV-B-08 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-08 Business Transactions - No business transactions were noted between the District and District officials or employees.

- IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

- IV-F-08 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.

- IV-G-08 Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.

- IV-H-08 Official Depositories - In accordance with Chapter 12C.2 of the Code of Iowa, the District has a written resolution approving each depository and the maximum amount which may be kept on deposit. The maximum deposit amount stated in the resolution was exceeded during the year ended June 30, 2008.

Recommendation - A new resolution in an amount sufficient to cover the anticipated balance at the approved depository should be adopted by the Board.

Response - A District deposit for bond proceeds received in May put the District over approved depository amounts. This depository deficiency was addressed and resolved by the approval of the new depository amounts at the July 14, 2008 board meeting.

Conclusion - Response accepted.

MOUNT AYR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2008

- IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-08 Sale of Property - During the year ended June 30, 2008, the District made sales of property in accordance with Chapter 297.22 of the Code of Iowa.
- IV-K-08 Deficit Balances – The Management Fund and Physical Plant and Equipment Fund had deficit balances at June 30, 2008. Also, several student activity accounts had deficit balances at June 30, 2008.

Recommendation – The District should investigate alternatives to eliminate these deficits in order to return these accounts to sound financial positions.

Response – The deficit balances are being looked into and the District hopes to have these deficit balances resolved in the upcoming year.

Conclusion – Response accepted.